



Press Release
Akshat Plastics Private Limited
May 30, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.42	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	47.64	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	54.06	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.54.06 crore bank facilities of Akshat Plastics Private Limited (APPL). The outlook is '**Stable**'.

Rationale for rating

Rating reaffirmation takes into account the long track record of operations, improvement in scale of operations, moderately working capital intensive nature of operations and fluctuating margins. However the rating is constrained by incessant decline in EBITDA margin in past three years which declined from 11.76% in FY 2021 to 5.45% in FY 2022 and further to 0.38% in FY23. Further company incurred net loss of Rs. 0.03 Cr. in FY23. The company's financial risk profile also saw a decline in FY23 and is expected to moderate further in FY24. Going forward improvement in profitability margins and the scale of operation will remain key rating sensitivities.

About the Company

Established as a proprietorship entity by Mr. Brij Mohan Gupta in 1993 and later converted into a private limited company in 2003, Akshat Plastics Private Limited (APPL) is engaged in the trading of various polymers and plastic raw materials viz. PVC resins, ethylene-vinyl acetate (EVA), foam, PVC paste resins, plasticizers, PVC chemicals, plastic granules, etc., which find application in various sectors viz. PVC pipes, textiles, chemicals, leather products, etc. The products dealt by the company are sold entirely in the domestic market across various cities in Delhi, Haryana and Gujarat. On the other hand, the said products are majorly imported from Korea, Taiwan and Thailand. The company operates through its corporate office and six warehousing facilities located in New Delhi, India.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business, management & financial risk profiles of APPL to arrive at the ratings.

Key Rating Drivers

Strengths

Long track record of operations and highly experienced promoters

APPL possesses a long track record of over three decades of operations in the trading of

polymers and plastic raw materials. The overall operations of the company are looked after by the promoters – Mr. Brij Mohan Gupta along with his wife – Mrs. Rekha Gupta, who possess a total experience of over three decades in the trading of polymers and plastic raw materials. Over the years of its operations, the company has established long term relationships with its various customers, suppliers and other stakeholders. Moreover, the long experience of the promoters has helped the company to establish a strong market position as well as scale up its operations.

Working Capital Management

Company's operations are moderately working capital intensive in nature with moderately intensive GCA days of 115 days in FY 2023 as against 95 days in FY 2022, since the majority of funds of over 60-75 days are blocked in inventory. Inventory holding period saw minuscule dip and stood at 79 days in FY 2023 as against 74 days in FY 2022. Debtor period has remained comfortable however declined from 2 days in FY 2022 to 16 days in FY2023. Creditor days have also moderated from 9 days in FY 2022 to 36 days in FY 2023.

Weaknesses

Dip in financial Risk Profile

The financial risk profile of the company declined to a below average position marked by relatively small tangible net-worth base and below average capital structure & debt coverage indicators. The tangible net-worth base stood relatively small at Rs. 28.08 crore as on March 31, 2023 as against Rs. 28.11 crore as on March 31, 2022. Total debt increased and stood at Rs. 33.70 Cr. in FY 2023 comprising of Rs. 15.78 Cr. of unsecured loans and Rs. 17.93 Cr. of working capital borrowing. Consequently, gearing moderated from 0.77 times in FY 2022 to 1.20 times in FY 2023. Interest Coverage Ratio declined to 1.08 times in FY23 from 9.02 times in FY22. NCA/TD moderated from 0.35 times in FY 2022 to 0.00 times in FY 2023. TOL/TNW and Debt-Ebitda saw significant dip from 1.13 times and 1.90 times in FY 2022 respectively to 2.10 times and 25.48 times respectively in FY 2023. Moderation in debt protection metrics is a result of dip in profitability and increase in debt in FY 2023.

Susceptibility of profit margins to volatility in raw material prices

The profit margins of APPL are highly susceptible to the volatility in the prices of polymers and plastic raw materials, since the same are directly linked to the crude oil prices which witness high fluctuations depending upon the actions of the major crude oil players like OPEC. Moreover, the domestic demand for the polymers and plastic raw materials is directly linked to the industrial activities in various sectors viz. PVC pipes, textiles, chemicals, leather products, etc. Hence, any slowdown in the said industrial activities may have a bearing on the demand, thereby having an impact on the revenues and in turn on the profit margins & profitability of the company.

Foreign exchange fluctuation risk

APPL is highly reliant on the imports from Korea, Taiwan, Thailand, etc. for procuring the products, wherein the imports comprised 84.88% of the total purchases in FY23 as against 83.88% in FY22. Moreover, the operations of the company do not serve as a natural hedge, since the company does not cater to the exports market. This makes the company being highly exposed to the foreign exchange fluctuation risk. However, the company undertakes hedging by way of entering into the forward contracts with the bank.

Presence in highly competitive & fragmented plastics & polymers trading industry

APPL is present in a highly competitive & fragmented plastics & polymers trading industry, wherein a number of small-sized & medium-sized players are engaged in the trading of polymers and plastic raw materials. Moreover, the presence of reputed domestic customers and reputed global suppliers leads to a limited bargaining power by the company with its customers & suppliers, which is evidently reflected from the low profit margins in FY22 & FY23.

Rating Sensitivities

- Improvement in average realization and volumes resulting into better revenue and profitability
- Improvement in working capital cycle of the company

- Improvement in financial risk profile of the company
- Any further deterioration in the financial risk profile or liquidity indicators

Liquidity Position

Stretched

Company liquidity position got stretched as can be seen from substantial dip in company's net cash accruals in FY23 which stood at Rs. 0.04 Cr. as against Rs. 7.51 Cr. in FY22. However the company has a respite as it has no long term debt repayments falling due. Average bank limit utilization in CC limit of Rs. 5.50 Cr. from State Bank of India has remained moderate at 61.44% for 12 months' period between January 2023 to December 2023. Company has unencumbered cash and bank position of Rs. 0.04 Cr. in FY 2023.

Outlook: Stable

Acuité believes that APPL will continue to maintain a 'Stable' outlook over the medium term owing to the established track record of operations coupled with highly experienced promoters in the industry. The outlook may be revised to 'Positive' in case of an expected increase in the scale of operations while significantly improving the profitability and efficiently managing the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of an expected deterioration in the overall financial risk profile and the liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	244.18	201.80
PAT	Rs. Cr.	(0.03)	7.43
PAT Margin	(%)	(0.01)	3.68
Total Debt/Tangible Net Worth	Times	1.20	0.77
PBDIT/Interest	Times	1.08	9.02

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Feb 2024	Cash Credit	Long Term	5.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Letter of Credit	Short Term	32.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Proposed Long Term Bank Facility	Long Term	1.56	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
02 Dec 2022	Cash Credit	Long Term	5.50	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	32.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.56	ACUITE BBB- Stable (Reaffirmed)
07 Sep 2021	Cash Credit	Long Term	5.50	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	32.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.56	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.50	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.64	ACUITE A4+ Reaffirmed
CITI Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.92	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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